

Message Text

UNCLASSIFIED

PAGE 01 LISBON 02493 041600Z
ACTION SCS-06

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R 041353Z APR 78
FM AMEMBASSY LISBON
TO SECSTATE WASHDC 5319

UNCLAS LISBON 2493

E.O.11652: N/A
TAGS: CPRS (RUNYON, JOHN L.)

REF: (A) LISBON 2260, (B) STATE 77176

1. SINCE SENDING REFTTEL A, EMBASSY HAS TALKED SEVERAL TIMES WITH SEIS
,
THE BANK, AND MR RUNYON. FOLLOWING IS A BRIEF SYNOPSIS OF THE CASE.
PLEASE USE IT TO INFORM CONGRESSMAN CLARENCE LONG AS APPROPRIATE.

2. IN 1973, RUNYON SIGNED A CONTRACT WITH A PORTUGUESE COMPANY, SEIS,
OWNED BY TWO BRITISH SUBJECTS, PETCHEY AND ADAMS, FOR THE DELIVERY OF
AN APARTMENT IN THE ALGARVE. ALTHOUGH THE BUILDING HAD NOT YET BEEN
CONSTRUCTED, THE PURCHASE PRICE OF THE APARTMENT, DOLS 51,000 WAS
PAID.

3. LIKE MANY OTHER FIRMS ENGAGED IN SIMILAR PROJECTS IN THE ALGARVE,
SEIS WAS UNDER CAPITALIZED AND IN 1974 FOUND ITSELF IN FINANCIAL
DIFFICULTIES OWING TO THE OIL CRISIS AND ACCOMPANYING INFLATION, THE
EUROPEAN RECESSION, AND, MOST OF ALL, THE EFFECTS OF THE PORTUGUESE
REVOLUTION OF APRIL, 1974. UNLIKE MOST OF THE OTHER COMPANIES, HOWEVE
R,
THE OWNERS OF SEIS HAVE NEVER LOST CONTROL OVER THEIR PROPERTY OR THE
THE RIGHT TO MANAGE THE COMPANY, BUT BY 1975 ALL OF ITS LOANS,
HELD MAINLY BY THE BANCO ESPIRITO SANTO, WERE IN DEFAULT.

4. OWING TO THESE FINANCIAL DIFFICULTIES, CONSTRUCTION STOPPED
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LEAVING THE BUILDING IN WHICH MR RUNYON'S APARTMENT WAS TO BE,
UNFINISHED. THE BANCO ESPIRITO SANTO IS NOW FACED WITH THE
DECISION WHETHER TO FORECLOSE ON THE MORTGAGES OR LOAN MORE
MONEY SO THAT SEIS CAN PROCEED WITH ITS PROJECT. IT IS A SOLELY
BANKING DECISION. THE BANK'S MANAGEMENT HAS BEEN UNABLE TO MAKE
UP ITS MIND, HOWEVER, OWING TO WIDESPREAD CONFUSION IN THE BANKING
INDUSTRY IN THE AFTERMATH OF THE REVOLUTION AND THE BANK'S

SUBSEQUENT NATIONALIZATION.

5. LAST WEEK THE BANK INVITED SEIS'SENIOR PARTNER, PETCHEY TO COME TO LISBON TO TALK WITH THE BANK. PETCHEY IS IN ENGLAND AT THE MOMENT, SO MATTERS AWAIT HIS RETURN AND SUBSEQUENT CONVERSATIONS WITH THE BANK.

6. THROUGHOUT, THE EMBASSY HAS URGED RUNYON TO RETAIN LOCAL COUNSEL TO REPRESENT HIS INTERESTS. WE CONTINUE TO FEEL THIS TO BE SOUND ADVICE. THE EMBASSY CAN AND WILL CONTINUE TO EXPRESS ITS INTEREST IN THE CASE, BUT SINCE THE GOP IS PARTICIPATING IN THE BANK SOLELY IN A PROPRIETARY RATHER THAN MINISTERIAL CAPACITY, THERE ARE NO GROUNDS FOR FORMAL REPRESENTATIONS ON OUR PART. RUNYON IS SIMPLY AN UNSECURED CREDITOR OF AN INSOLVENT COMPANY.
BLOOMFIELD

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NNN

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